

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 MC-02 L-03 COME-00 EB-07 CIAE-00 INR-07

NSAE-00 SS-15 NSC-05 SP-02 /054 W

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R 011256Z MAR 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8303

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E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: AMERICAN INVESTMENT IN FRANCE: APPLICATION
OF CENTRONICS DATA COMPUTER CORPORATION

REF: STATE 049147

1. ON AUGUST 13, LEGAL COUNSEL FOR CENTRONICS DATA COMPUTER CORPORATION FILED A REQUEST WITH THE FRENCH AUTHORITIES TO SET UP A VERY SMALL SALES AND SERVICE SUBSIDIARY HERE, TO FURTHER ITS EXPORTS OF COMPUTER PRINTERS TO FRANCE. ALTHOUGH SUCH APPLICATIONS ARE RECEIVED IN THE FINANCE MINISTRY, AND FINAL APPROVAL IS GIVEN THERE, THIS CASE HAS IN FACT BEEN HELD UP IN THE MINISTRY OF INDUSTRY, BECAUSE OF ITS CLOSE TIE TO POLICY IN THE KEY AREA OF COMPUTER PERIPHERAL ("PERI-INFORMATIQUE"). THE MINISTRY IS DEVELOPING PLANS FOR A SELF-SUSTAINING FRENCH CAPACITY IN THIS FIELD JUST AS IT HAS FOR HEAVY COMPUTERS (REFLECTED IN THE CII-HONEYWELL MERGER).

2. CENTRONICS HAS BEEN IN CONTACT WITH VARIOUS OFFICIALS OF THE MINISTRY SINCE SEPTEMBER. THE IMPORT OF THESE CONTACTS WAS THAT CENTRONICS WAS IN DIRECT COMPETITION WITH A FRENCH FIRM, LOGOBOX, AND THAT THE MINISTRY WAS DISINCLINED TO ENHANCE THE COMPETITIVENESS OF AN OUTSIDE FIRM WHICH WOULD NOT EVEN BRING EMPLOY-

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MENT AND CAPITAL INVESTMENT BENEFITS TO THE FRENCH ECONOMY. IT WAS IMPLIED THAT WERE THE FIRM TO GIVE A

TIMETABLE FOR SETTING UP ASSEMBLY FACILITIES IN FRANCE, AS WAS IN FACT VAGUELY SUGGESTED IN ITS INVESTMENT APPLICATION, THE REQUEST WOULD BE APPROVED. OTHERWISE, IT WAS LIKELY TO BE TURNED DOWN. A NEGATIVE OPINION WAS EXPECTED TO BE SENT TO THE FINANCE MINISTRY IN THE FIRST WEEK OF JANUARY.

3. CENTRONICS' LAWYER HERE, THOMAS ROSE OF DONOVAN, LEISURE, NEWTON AND IRVINE, HAS BEEN IN CONTACT WITH THE EMBASSY SINCE EARLY NOVEMBER. MR. ROSE HAS, FROM THE START, PLACED GREAT EMPHASIS ON HIS CLIENT'S IMPATIENCE TO SET UP THEIR SUBSIDIARY, AS THEY FEEL THEIR SALES (\$600,000 IN FY 1975) WERE ALREADY SUFFERING IN FRANCE WITHOUT IT. THE FIRM FELT IT NEEDED A DECISION BY MID-FEBRUARY.

4. MINECON CALLED ON THE "CZAR" OF FRANCE'S INDUSTRIAL POLICY, DIRECTOR-GENERAL OF INDUSTRY HUGHES DE L'ESTOILE, ON JANUARY 27, AND MADE THE FOLLOWING POINTS TO HIM:

A. THIS WAS THE FIRST TIME IN ABOUT FIVE YEARS WE HAD TO INTERVENE IN AN INVESTMENT QUESTION; IF OUR REPORTS ON THE FAVORABLE INVESTMENT CLIMATE IN FRANCE WERE TO BE MODIFIED, IT MIGHT ADVERSELY AFFECT INVESTMENTS GOING TO ENCOURAGE.

B. AS WE HAD STATED IN OUR NOTE OF MARCH 19, 1970, SUCH REFUSALS OF AMERICAN INVESTMENT COULD BE CONSIDERED IN VIOLATION OF ARTICLE V OF THE FRENCH-AMERICAN CONVENTION OF ESTABLISHMENT OF 1959. (NOTE: WE CAREFULLY AVOIDED GOING BEYOND LANGUAGE OF NOTE, WHICH WE STATED WAS STILL VALID.)

C. WHILE WE UNDERSTAND FRENCH INDUSTRIAL POLICY, WE WONDER IF IT IS REALLY WORTH BRINGING IT INTO QUESTION BY REFUSING SUCH SMALL PROJECTS.

5. M. DE L'ESTOILE REPLIED WITH THE FOLLOWING POINTS:

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A. THE CENTRONICS DECISION IS INDEED LINKED TO HIS PLAN FOR COMPUTER PERIPHERALS.

B. HE MUST SUBMIT THIS PLAN BY THE END OF MARCH; A DECISION ON CENTRONICS WOULD THEREFORE ALSO BE MADE THEN, BUT NOT NECESSARILY BEFORE.

C. THE "ODDS" FOR CENTRONICS WERE "50-50".

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D. IF CENTRONICS CAME UP WITH A DEFINITE PLAN TO SET UP ASSEMBLY FACILITIES IN FRANCE, THE PICTURE WOULD BE DIFFERENT. AT AN UNRELATED MEETING TWO DAYS LATER, DE L'ESTOILE NOTED THAT WHILE THIS PLAN WAS BEING FORMED, HE DID NOT ENCOURAGE ANY NEW INVESTMENTS OR CHANGES IN THE FIELD, REGARDLESS OF WHO PROPOSED THEM.

6. A FEW DAYS LATER, MINECON AND OTHER EMBOFFS MET WITH MR. ROSE AND A MR. HARRIS, OF CENTRONICS' LONDON OFFICE, TO EXPLAIN THE SITUATION TO THEM. HARRIS DENIED ANY INTEREST IN AN ASSEMBLY PLANT IN FRANCE, AND REPEATED HIS COMPANY'S IMPERATIVE NEED TO BEGIN SOME FORM OF ACTION IN FEBRUARY. HE EVEN ASKED OUR OPINION ON A NUMBER OF DEVICES BY WHICH CENTRONICS MIGHT "GET AROUND THE LAW"; WE DEFERRED TO MR. ROSE, AND NOTED WE COULD ONLY URGE COMPLIANCE WITH FRENCH LAW.

7. THERE HAS BEEN NO SUBSEQUENT ACTION HERE, EXCEPT AN INFORMAL DISCUSSION WITH THE ASSISTANT TREASURY DIRECTOR FOR INVESTMENTS, M. DENIS GEORGES-PICOT, WHO WOULD MAKE THE FINAL DECISION. INFORMALLY, HE SUGGESTED THAT HE THOUGHT "IT WOULD BE DIFFICULT" TO REFUSE THE APPLICATION IN THE END. THIS SUPPORTED OUR VIEW, EXPRESSED TO MESSRS. ROSE AND HARRIS, THAT THE BEST

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THING TO DO WAS WAIT.

8. CENTRONICS HAS CHOSEN NOT TO. THE COMPANY HAS SENT A LETTER TO NEW HAMPSHIRE CONGRESSMEN AND SENATORS, THE PRESIDENT, THE SECRETARIES OF STATE AND COMMERCE AND MR. SEIDMAN. (COPY RECEIVED PRIOR RECEIPT REFTEL.) IN ADDITION, WE ARE ADVISED THAT OFFICIALS APPROACHED THE PRESIDENT'S STAFF DIRECTLY DURING THE NEW HAMPSHIRE PRIMARY CAMPAIGN, AND ARE APPARENTLY IN THE PROCESS OF FURNISHING "THE WHITE HOUSE" WITH DETAILS, INCLUDING THE NAMES OF ALL EMBASSY AND FRENCH GOVERNMENT PERSONNEL INVOLVED. (N.B.: CENTRONICS LETTER CONTAINS STATEMENT THAT MR. ROSE HAD ALREADY DISCUSSED THE MATTER WITH AMBASSADOR. THIS IS UNTRUE. HE HAD HOWEVER PLANNED TO DO SO IN JANUARY AND DEFERRED IT AT EMBASSY'S SUGGESTION.)

9. WE CONTINUE TO BELIEVE THAT NO FURTHER HIGH LEVEL REPRESENTATION SEEMS APPROPRIATE UNLESS THE DE L'ESTOILE MARCH DEADLINE IS PASSED WITHOUT WORD, OR UNLESS THE WORD IS NEGATIVE. SUCH AN APPROACH COULD PERHAPS THEN BEST BE MADE AT FINANCE MINISTRY.

10. RE PARA. 2 REFTEL, SEE PARIS A-95 OF FEBRUARY 18, 1976, WHICH PROVIDES TRANSLATION OF TEXT OF LAW AND FIRST EMBASSY REFLECTIONS. AS IS NOTED, IT DOES NOT APPLY TO "ALL BUSINESS DEALINGS".
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